

D.T.E. 98-28

Application of Western Massachusetts Electric Company, under the provisions of G.L. c. 164,

§ 94G(a), for approval by the Department of Telecommunications and Energy of the Company's annual performance program relating to fuel procurement and use.

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FOR: WESTERN MASSACHUSETTS ELECTRIC COMPANY

Petitioner

I. INTRODUCTION

On March 2, 1998, pursuant to G.L. c. 164, § 94G(a), Western Massachusetts Electric Company ("WMECo" or "Company") submitted a petition to the Massachusetts Department of Telecommunications and Energy ("Department") requesting approval of proposed generating unit performance goals for the period June 1, 1998 through May 31, 1999. Section 94G(a) requires each electric company to file with the Department annual performance programs that provide for the efficient and cost-effective operation of its generating units. Each company's performance program must include proposed unit and system performance goals for availability factor ("AF"), equivalent availability factor ("EAF"), capacity factor ("CF"), forced outage rate ("FOR"), and heat rate ("HR"). The petition was docketed as D.T.E. 98-28.

Pursuant to notice duly issued, the Department conducted a hearing on the Company's petition on September 28, 1999. In support of its petition, the Company sponsored the testimony of Robert A. Baumann, Massachusetts revenue requirements and fuel recovery group manager for Northeast Utilities Service Company ("NUSCo")⁽¹⁾ and Thomas J. Dente, manager of financial regulation for NUSCo (Tr. at 5-7). The evidentiary record includes seven exhibits.

II. WMECO'S SUPPLY-SIDE PORTFOLIO

During the June 1, 1998 through May 31, 1999 period, the Company exclusively owned and operated West Springfield 3, a 107.0 megawatt ("MW") fossil unit, and three jet units: Doreen 10 (18.3 MW); Woodland Road 10 (18.5 MW); and West Springfield 10 (19.0 MW) (Exh. WM-1, at 2, 38-40). The Company owned 19.0 percent (123.1 MW) of Millstone 1, a 647.7 MW nuclear unit; 19.0 percent (166.2 MW) of Millstone 2, a 874.5 MW nuclear unit; and 12.2 percent (140.2 MW) of Millstone 3, a 1145.7 MW nuclear unit

(Exh. WM-1, at 2, 38, 39). All three Millstone units were operated by Northeast Utilities ("NU") (*id.* at 46). The Company also owned 19.0 percent (51.3 MW) of each of four 270.0 MW pumped storage units, Northfield 1, 2, 3, and 4 (*id.* at 2, 38, 41-44).

Under a life-of-the-unit contract, the Company receives 2.3 percent (11.9 MW) from Vermont Yankee ("VY"), a 531.0 MW nuclear unit, operated by Vermont Yankee Nuclear Power Corporation (Exhs. WM-1, at 2, 38, 39, 46; DTE-1). In addition, under life-of-the-unit contracts, the Company has a capacity entitlement in Connecticut Yankee ("CY"), a 583.2 MW nuclear unit, which is principally owned by NU and operated by Connecticut Yankee Atomic Power Company, and capacity entitlement in Maine Yankee ("MY"), a 880.0 MW nuclear unit, operated by Maine Yankee Nuclear Power Company (Exhs. WM-1, at 38, 39, 46; DTE-1; DTE-2; DTE-3). The remainder of the Company's supply came from purchases from small power producers, such as Springfield (7.5 MW) and Masspower (54.0 MW) (Exh. WM-1, at 45).

For the purpose of distinguishing those units that contribute most to system costs, the Company's performance programs identify major and minor units. Major units contributed at least five percent of the system generation (as measured in MW hours) in any of the previous three years, or units in which the Company has at least a 100 MW entitlement during the upcoming performance year (Exhs. WM-1, at T5, 2, 3; DTE-6). Any unit that does not qualify as a major unit is a minor unit (*id.*). The Company's major units were Millstone 1, 2, and 3; and West Springfield 3 (Exhs. WM-1, at T5, 2, 3; DTE-5; DTE-6).

III. THE COMPANY'S PROPOSED GOALS

The Company submitted, as part of its current goals, proposed performance goals for Millstone 1, 2, and 3, VY, Northfield 1, 2, 3, and 4, West Springfield 3 and 10, Doreen 10, and Woodland Road 10 generating units for the June 1, 1998 through May 31, 1999 period (Exhs. WM-1, at 2-4; DPU-5). The Company did not submit proposed performance goals for CY and MY and explained that the permanent retirement of those facilities triggered the removal of those units from the goal-setting process. (Exhs. DTE-2; DTE-3).⁽²⁾

The Company stated that its performance goals for its Millstone 1, 2, and 3, Vermont Yankee, Northfield 1, 2, 3, and 4, West Springfield 3 and 10, Doreen 10, and Woodland Road 10 generating units were calculated in a manner consistent with the method approved by the Department in Western Massachusetts Electric Company, D.P.U. 97-30 (1997)

(Exh. WM-1).

Under the Company's goals proposal, the EAF goals for major and minor units were set at values corresponding to each unit's target unit availability ("TUA"), which are the availability targets that the New England Power Pool ("NEPOOL") sets for each member utility's units under its Performance Incentive Program (Exhs. WM-1, at T7; DPU-5). In developing its proposed goals, the Company used the TUAs approved by the NEPOOL Executive Committee on June 12, 1992, and subsequently approved for implementation by the New England Power Supply Planning Committee ("NEPLAN") in January 1993

(Exhs. WM-1, at T7, 33; DTE-5).

The Company calculated the remaining performance goals (i.e., AF, CF, FOR, and HR) in accordance with the major unit methodology approved in previous proceedings,⁽³⁾ regardless of whether units met the major or minor unit criteria (Exh. WM-1, at T3, T4,

T7-T9, 1, 7-9). The Company also calculated system goals in a manner consistent with the methods approved by the Department in previous proceedings (Exh. WM-1, at T4, T5, T8, 1, 6).⁽⁴⁾

The Company's proposed generating unit and system goals have been reproduced in Table 1 attached to this Order.

IV. ANALYSIS AND FINDINGS

The Department has reviewed the Company's proposal and finds that it includes all of the units that should be included in the Company's generating unit performance program. The Department also finds that the proposed goals for major and minor units were calculated in a manner consistent with the method approved by the Department in D.P.U. 97-30.

In D.P.U. 97-30, the Department found that several advantages would result if goals were adopted based on NEPOOL TUAs: (1) the method would produce the same EAF goal for generating units included in more than one company's supply portfolio; and (2) the method would reduce the time, effort, and expense incurred by a company in preparing goal-setting filings and by the Department in reviewing those filings. Accordingly, the Department finds that the efficient and effective administration of the

Company's performance program is best served by the goals proposal submitted by the Company in Exhibits WM-1 and DTE-5. The Department approves the goal-setting methods implicit in that proposal and the resultant unit and system performance goals, as identified in Exhibit DTE-5. The approved WMECo unit and system goals, for the period from June 1, 1998 through May 31, 1999, and based on NEPOOL TUAs, are identified in Table 1 attached to this Order.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That the generating unit and system performance goals for Western Massachusetts Electric Company for the period June 1, 1998 through May 31, 1999, shall be those contained in Table 1 attached to this Order; and it is

FURTHER ORDERED: That, as part of its next performance filing, the Company shall submit potential performance goals based on NEPOOL TUAs effective at that time, and shall comply with the requirements set forth in this Order; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G and § 2.6(b) of the Department's performance program guidelines, dated December 24, 1981, the Company shall report on its progress under the annual performance program with each filing made pursuant to these guidelines.

By Order of the Department,

James Connelly, Commissioner

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof

with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

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1. NUSCo provides engineering, financial, legal, and other administrative services for WMECo, a Northeast Utilities ("NU") subsidiary (Tr. at 36).

2. The Department notes that CY and MY were permanently shut down on

December 4, 1996 and August 6, 1997 (Exhs. DTE-1; DTE-2; DTE-3; Tr. at 24). See, Western Massachusetts Electric Company, D.P.U. 97-30, at 3 (1997); Western Massachusetts Electric Company, D.T.E 97-120 at 16, 17, and 85-87 (1999).

3. ³ AF goals were derived by adding to the EAF goal the ratio of average annual equivalent derated hours for the last three years to average annual period hours (Exh. WM-1, at T7). CF goals for nuclear units were set equal to the respective nuclear units' EAF goal (id.). CF goals for fossil and pumped storage units were derived by multiplying the ratio of the three-year average CF to the three-year average EAF by the EAF goal (id.). FOR goals were derived by dividing projected FOH by the sum of projected FOH and SH (id. at T8). Projected FOH were developed by dividing the three-year average FOH by the three-year average PH, then multiplying by the PH in the performance year (id. at T8). Projected SH were developed by calculating the ratio of three-year average SH to three-year average AH and multiplying that ratio by the AF goal, then by PH in the performance year (id. at T8). HR goals were set at the best (lowest) annual HR obtained during the previous three years (id. at T8).

4. ⁴ System goals for EAF, AF, CF, FOR, and HR were developed from the weighted averages of the goals for the individual units (Exh. WM-1, at T4, T5, 7). The weighting factor for each unit was the ratio of unit to system generation as projected during the performance year (id.). Projected generation for each unit was calculated by multiplying the Company's entitlement in each unit's capacity by its CF goal (id.). Projected system generation was calculated as the sum of projected unit generations across the system (id.). For the system HR goal calculation, the weighting factor for each fossil and nuclear unit was developed as a ratio of unit to system generation, excluding the Company's hydro facilities, which are Northfield Units 1 through 4 (id.).